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April 19, 2006

AGENDA ITEM 14-A

TO: MEMBERS OF THE BOARD OF ADMINISTRATION

I. SUBJECT: Senate Bill 1207 (Alarcon) –
As Amended February 28, 2006

Majority Vote in Uncontested Corporate Elections

II. PROGRAM: Legislation

III. RECOMMENDATION: Co-Sponsor

Staff recommends that the Board **co-sponsor** SB 1207, which would establish that an approval by a majority of the shares represented and voting will be required to elect a director in an uncontested election of corporate directors.

IV. ANALYSIS:

Staff recommends that the Board co-sponsor SB 1207, which would establish a default standard in the California Corporate Law requiring candidates for positions on the board of directors of California-based corporations be elected by a majority vote when the candidate is running in an uncontested election.

Background

Staff presented Agenda Item 10-A to the Investment Committee on March 13, 2006 (Attachment 1). The Committee adopted a position of "strongly support" for this bill.

Since the last Investment Committee meeting, CalPERS staff has continued its efforts to advocate passage of SB 1207. In communications with the author's office, it was recommended that CalPERS and CalSTRS co-sponsor SB 1207. CalSTRS is scheduled to vote on this matter during their April 7, 2006, regular board meeting.

CalPERS' Legislative Policy Standards suggest a sponsor position for proposals which allow CalPERS to be an advocate on key issues. Shareowner representation and board accountability is an essential issue for corporate governance. In addition, the Board directed staff to implement the majority vote concept within state

law where feasible. Therefore, staff recommends a co-sponsor position on SB 1207 since it is consistent with the Board's Corporate Governance Policies and Core Principles. CalSTRS will be the other co-sponsor on this bill.

V. STRATEGIC PLAN:

This item is not a specific product of the Annual or Strategic Plans, but is a part of the regular and ongoing workload of the Office of Governmental Affairs.

VI. RESULTS/COSTS:

This bill would establish that an approval by a majority of the shares represented and voting will be required to elect a director in an uncontested election of corporate directors.

Program Costs

SB 1207 does not impact CalPERS program costs.

Administrative Costs

SB 1207 does not impact CalPERS administrative costs.

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